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# Nickel Industries Ltd (NIC)

## Higher production and margins driving growth

### Recommendation

**Buy** (unchanged)

Price

**\$0.985**

Target (12 months)

**\$1.87** (previously \$1.85)

### GICS Sector

Materials

### Expected Return

Capital growth	90%
Dividend yield	9%
Total expected return	99%

### Company Data & Ratios

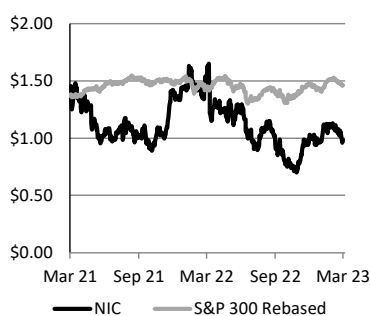
Enterprise value	<b>\$3,651m</b>
Market cap	<b>\$3,318m</b>
Issued capital*	<b>3,369m</b>
Free float	<b>72%</b>
Avg. daily val. (52wk)	<b>\$17.5m</b>
12 month price range	<b>\$0.685-\$1.79</b>

\* Includes shares to be issued to SDI as consideration for 10% HNC interest

### Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	1.10	0.97	1.45
Absolute (%)	-10.0	1.5	-31.8
Rel market (%)	-7.0	1.5	-35.1

### Absolute Price



SOURCE: IRESS

### CY22 financial result

NIC reported its CY22 full year financial result delivering record production and financial performance. NIC reported consolidated revenue of US\$1,217m (vs BPe \$1,202m, up 88%), consolidated EBITDA of US\$339m (vs BPe \$327m, up 40%), consolidated NPAT of US\$209m (vs BPe \$195m, up 19%) and attributable NPAT of US\$159m (vs BPe US\$147m, up 15%). The main differences between the reported results and our forecasts were higher withholding tax payments and higher bond issue costs. NIC declared a final dividend of A2cps for total CY22 dividends of A4cps (vs BPe A3cps for the full year). NIC ended CY22 with cash of US\$144m and gross debt of US\$550m in Senior Secured Notes, for net debt of US\$406m and net gearing of 24%.

### Higher production and margins to drive growth in CY23

We forecast attributable nickel production to nearly double in CY23 and for earnings to grow significantly on higher, more stable margins as NIC benefits from increased exposure to the Class 1 products: high grade nickel matte and Mixed Hydroxide Precipitate (MHP) from High Pressure Acid Leach (HPAL) operations. High grade nickel matte sales of 4,743t in the December 2022 quarter achieved a margin of US\$5,950/t, compared with average NPI margins for the December 2022 quarter of US\$3,714/t. In addition, first attributable production from NIC's 10% interest (pending shareholder approval) in the Huayue Nickel Cobalt (HNC) HPAL project is expected in coming months. It is guided to contribute ~6,000tpa attributable MHP at EBITDA margins of US\$5,000-US\$10,000/t.

### Investment thesis – Buy, TP\$1.87/sh (from Buy, TP\$1.85/sh)

Earnings changes in this report are: CY23 +1%, CY24 +11%, CY25 +10%. Our NPV-based valuation increases 1%, to \$1.87/sh. NIC offers exposure to low cost nickel mining and production in Indonesia where it is expanding and diversifying across a range of nickel products and markets. Its aggressive growth outlook and undemanding valuation metrics make it one of our top picks. Retain Buy.

### Earnings Forecast

Year ending 31 December	2022a	2023e	2024e	2025e
Sales (US\$m)	1,217	2,512	2,445	2,452
EBITDA (US\$m)	348	894	692	669
Attributable NPAT (reported) (US\$m)	159	539	404	403
Attributable NPAT (reported) (A\$m)	228	793	577	576
EPS (adjusted) (Acps)	8.5	25.9	17.0	17.0
EPS growth (%)	17%	204%	-34%	0%
PER (x)	11.6	3.8	5.8	5.8
FCF Yield (%)	-20%	29%	28%	26%
EV/EBITDA (x)	7.1	2.8	3.6	3.7
Dividend (Acps)	4.0	9.0	7.0	7.0
Yield (%)	4.1%	9.1%	7.1%	7.1%
Franking (%)	0%	0%	0%	0%
ROE (%)	18%	41%	24%	21%

SOURCE: BELL POTTER SECURITIES ESTIMATES

# Higher production and margins in CY23

## CY22 financial result

NIC reported its CY22 full year financial result delivering record production and financial performance. NIC reported consolidated revenue of US\$1,217m (vs BPe \$1,202m, up 88%), consolidated EBITDA of US\$339m (vs BPe \$327m, up 40%), consolidated NPAT of US\$209m (vs BPe \$195m, up 19%) and attributable NPAT of US\$159m (vs BPe US\$147m, up 15%). The main differences between the reported results and our forecasts were higher withholding tax payments and higher bond issue costs. NIC declared a final dividend of A2cps for total CY22 dividends of A4cps (vs BPe A3cps for the full year).

During the period the Ranger and Hengjaya projects (RNI and HNI) maintained consistent production levels and the Angel Nickel Project (ANI) ramped up through its 9,000t per quarter nameplate capacity to achieve Ni in NPI production of 12,400t in the December 2022 quarter (138% of nameplate). NIC also reported its first high grade nickel matte sales of 4,743t in the December 2022 quarter, achieving a margin of US\$5,950/t, compared with average NPI margins for the December 2022 quarter of US\$3,714/t.

While production and revenues grew significantly yoy, margins in 2HCY22 were lower relative to historic levels, dropping to US\$2,261/t in the September quarter, before recovering to US\$4,146/t in the December quarter. This was largely due to COVID-related lockdowns in China impacting NPI demand and pricing, as well as higher global energy prices. This compared with RKEF margins of US\$7,386/t and US\$5,367/t in the March and June 2022 quarters respectively.

CY22 earnings translated to attributable EPS of US5.9cps (A8.5cps) and a trailing P/E ratio of 11.6x and EPS growth of 17%. We forecast attributable nickel production to nearly double in CY23 and for earnings to grow significantly on higher, more stable margins as NIC benefits from increased exposure to the Class 1 products: high grade nickel matte and Mixed Hydroxide Precipitate from HPAL operations.

NIC ended CY22 with cash of US\$144m and gross debt of US\$550m in Senior Secured Notes, for net debt of US\$406m and net gearing of 24%.

**Table 1 - NIC financial result summary**

Financials (Consolidated basis)	Dec-20 Actual	Dec-21 Actual	Dec-22 Actual	Dec-22 BPe	Variance vs BPe	Variance vs pcp
Revenue (US\$m)	523.5	645.9	1217.0	1202.4	1%	88%
EBITDA (US\$m)	194.5	243.2	348.2	326.7	7%	43%
NPAT consolidated (US\$m)	153.7	176.0	209.4	194.7	8%	19%
NPAT attributable (US\$m)	110.6	137.9	159.0	146.6	8%	15%
EPS attributable (Ac/sh)	8.2	7.3	8.5	8.0	6%	17%
Dividend (Ac/sh)	0.030	0.040	0.040	0.030	33%	0%
Free cash flow (US\$m)	-34.45	-408.83	-366.97	-382.0	-4%	-10%
Cash balance (US\$m)	351.4	137.9	144.2	144.2	0%	5%
Debt (US\$m)	45.0	327.6	559.3	550.0	2%	71%
<b>Production, costs, prices</b>						
Ni in NPI (t, Consolidated)	43,622	40,411	70,079	70,079	0%	73%
Ni in NPI (t, Attributable)	30,619	32,329	55,993	55,993	0%	73%
AIC (US\$/t)	\$7,414	\$10,225	\$13,483	\$13,483	0%	32%
Nickel price (US\$/t)	\$13,775	\$18,460	\$26,819	\$26,819	0%	45%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

This is a good result, maintaining dividends and delivering earnings growth despite margin contraction in a rising cost environment.

Other key takeaways from the result include:

- The Hengjaya Mine continues to emerge as a material contributor to group EBITDA, generating US\$53.9m for CY22, up 145% from CY21 and including US\$16.1m in the December 2022 quarter. Production is set to grow significantly in CY23 as the haulage access road is completed and limonite sales increase;
- The initial exposure to MHP nickel products via HPAL nickel production is complemented by the award of “Green PROPER” status to the Hengjaya Mine as an important entry point into the lithium-ion battery / Electric Vehicle market. While this is a small portion of production in CY23 it sets a strategic direction for NIC;
- Three of the four RKEF lines at ONI have now been commissioned but the sales licence is not expected to be finalised until the June 2023 quarter. We expect March quarter NPI production to be stockpiled and sales deferred until the June 2023 quarter. We make no changes to our total CY23 production forecast; and
- Drilling is underway at NIC’s 100% owned Siduarsi laterite nickel ore project and a maiden Resource is expected in mid-CY23.

## Changes to our forecasts

Beyond updating our forecasts for the CY22 financial result, we have made the following changes to our modelled assumptions:

- Deferred NPI sales from ONI to the June 2023 quarter;
- Increased our production assumptions for the Hengjaya Laterite mine; and
- Rolled our model forward and updated for NIC’s latest capital structure and net cash position.

The net impacts of these changes are summarised in the forecast changes table below:

**Table 2 - Changes to our CY forecasts**

Year end 31 December	Previous			New			Change		
	Dec-23	Dec-24	Dec-25	Dec-23	Dec-24	Dec-25	Dec-23	Dec-24	Dec-25
<b>Prices &amp; currency</b>									
Nickel price (US\$/t)	23,424	20,944	21,139	23,424	20,944	21,139	0%	0%	0%
US\$/A\$	0.68	0.70	0.70	0.68	0.70	0.70	0%	0%	0%
<b>Production &amp; costs</b>									
Ore mined (t)	2,800,000	2,800,000	2,800,000	4,500,000	4,500,000	4,500,000	61%	61%	61%
Nickel in ore (t)	50,400	50,400	50,400	65,250	65,250	65,250	29%	29%	29%
RKEF NPI production (t)	914,615	999,615	996,615	914,615	999,615	996,615	0%	0%	0%
Contained nickel (t)	168,705	191,481	190,563	168,705	191,481	190,563	0%	0%	0%
Contained nickel (t, attributable)	103,029	109,085	108,350	103,029	109,085	108,350	0%	0%	0%
Cash costs (US\$/t Ni)	12,778	13,064	13,360	12,778	13,064	13,360	0%	0%	0%
<b>Earnings &amp; valuation</b>									
Revenue (consolidated, US\$m)	2,516	2,445	2,452	2,516	2,445	2,452	0%	0%	0%
EBITDA (consolidated, US\$m)	870	625	605	901	692	669	4%	11%	10%
EBITDA (attributable, US\$m)	762	545	528	787	599	579	3%	10%	10%
NPAT (reported, attributable, US\$m)	535	365	366	552	404	403	3%	11%	10%
EPS (reported) (Acps)	25.7	15.4	15.4	26.5	17.0	17.0	3%	11%	10%
PER (x)	3.8	6.4	6.4	3.7	5.8	5.8	(0.1)	(0.6)	(0.6)
EPS growth (%)	221%	-40%	0%	212%	-36%	0%	-9%	4%	-1%
DPS (Acps)	9.0	6.0	6.0	10.0	7.0	7.0	11%	17%	17%
Yield	9.1%	6.1%	6.1%	10.2%	7.1%	7.1%	1%	1%	1%
NPV (A\$/sh)	1.48	1.85	2.12	1.50	1.87	2.22	1%	1%	5%
<b>Price Target (A\$/sh)</b>		1.85			1.87			1%	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

We continue to forecast strong earnings growth of 212% in CY23 and highlight the 3.2x EV/EBITDA multiple for CY23 (attributable basis) as very cheap. Our NPV-based valuation increases 1%, to \$1.87/sh.

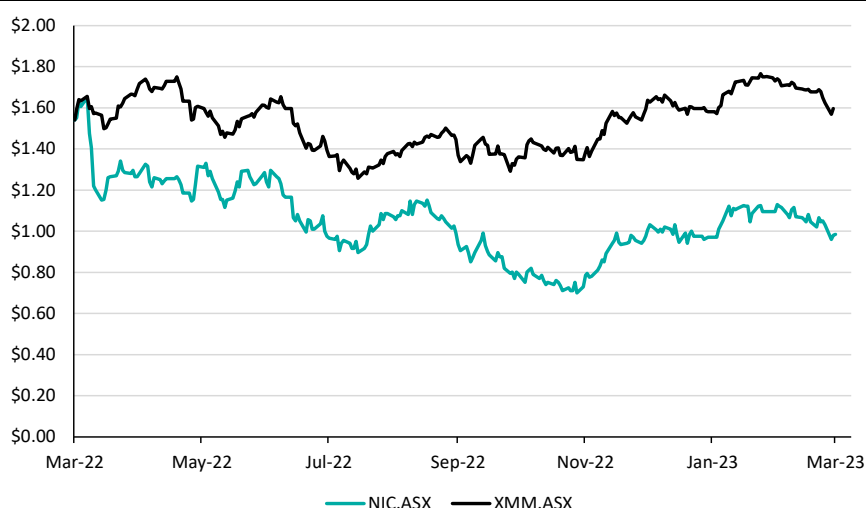
## Upcoming catalysts

Upcoming catalysts for NIC include:

- Updates on Nickel Pig Iron (NPI) pricing and the effective Ni payability, which we believe the market will continue to consider as a measure of NIC's nickel price exposure;
- Ongoing sales of nickel matte production and associated payabilities, giving NIC exposure to the Class 1 nickel market;
- Further updates on the commissioning and production ramp-up of ONI, comprising 4 next-generation RKEF lines being developed within the IMIP. We model first commercial production and sales in 2QCY23;
- Progress updates for the Hengjaya Mine, where limonite nickel ore sales are increasing and together with saprolite nickel ore sales are driving strong EBITDA growth;
- The completion of the HNC acquisition and first production and cost reports from that asset, expected in the March 2023 quarter;
- Updates on the options to participate in the DAWN HPAL project and the matte convertor for the ONI project;
- The release of the March 2023 quarter production report, expected in late April 2023; and
- Exploration and development updates on the Siduarsari Nickel-Cobalt project in Papua province, Indonesia, in which NIC has acquired a 100% interest.

## NIC vs the ASX Metals and Mining Index

Figure 1 - NIC relative share price performance vs ASX Metals and Mining Index (XMM)



SOURCE: IRESS

# Nickel Industries Limited (NIC)

## Company description: fully integrated NPI producer

Nickel Industries Limited ('Nickel Industries' or 'NIC') was formed in 2007 and listed on the ASX in 2018 as Nickel Mines Ltd. Its operations are focused in Central Sulawesi, Indonesia, where it holds an 80% interest in four Rotary Kiln Electric Furnace (RKEF) NPI production lines (the two Hengjaya lines and the two Ranger lines) with Shanghai Decent Investments (SDI) a subsidiary of Tsingshan Group, the world's largest stainless steel producer. The RKEF lines are located in an existing, fully integrated stainless steel production facility, the Indonesian Morowali Industrial Park (IMIP).

First production from the Hengjaya Lines was achieved on 31 January 2019 and the Ranger Lines commenced production during the December quarter 2019. Both projects have since achieved steady state production of ~20ktpa contained Ni in NPI, exceeding nameplate production of ~16ktpa each at lower than planned operating costs.

NIC has also acquired an 80% interest in the Angel Nickel Project comprising four new generation RKEF NPI production lines currently in production ramp up production within the Indonesia Weda Bay Industrial Park (IWIP) on Halmahera Island in Indonesia and a 80% interest in the Oracle Nickel Project, comprising four new generation RKEF NPI production lines currently under construction within the IMIP.

NIC also holds an 80% interest in Hengjaya Mine ('HM'), a high-grade, long-life nickel laterite deposit, in close proximity to the IMIP. The HM produces Direct Shipping Ore (DSO), the bulk of which is sold into the IMIP facility.

## Investment thesis – Buy, TP\$1.87/sh (from Buy, TP\$1.85/sh)

Earnings changes in this report are: CY23 +1%, CY24 +11%, CY25 +10%. Our NPV-based valuation increases 1%, to \$1.87/sh. NIC offers exposure to low cost nickel mining and production in Indonesia where it is expanding and diversifying across a range of nickel products and markets. Its aggressive growth outlook and undemanding valuation metrics make it one of our top picks. Retain Buy.

## Valuation: \$1.87/sh

Our 12-month forward NIC valuation incorporates DCF models of its attributable interests in the Hengjaya laterite nickel ore mine (HM), an 80% interest in the two Hengjaya Nickel RKEF lines and an 80% interest in the two Ranger Nickel RKEF lines.

We have constructed a discounted cash flow (DCF) model for NIC's attributable interest in these RKEF lines that are in production at Tsingshan's IMIP facility and a DCF calculation for NIC's current 80% interest (declining to 49% in 2028) in the Hengjaya laterite nickel ore mine.

We also include a risk-adjusted, NPV-based valuation for NIC's 80% interest in the Angel Nickel Industry (ANI) project, its 80% interest in the Oracle Nickel Project (ONI), its 10% interest in the HNC HPAL plant and a notional value for other exploration and development projects, an estimate of corporate overhead costs and NIC's last reported net cash position. Our valuation is calculated on a fully diluted basis. Following the latest update, our valuation stands at \$1.87/sh.

## Risks

Key risks to our investment case include (but are not limited to):

- **Funding and capital management risks:** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments and managing debt repayments. Exploration and development companies with no sales revenues are reliant on access to equity markets and debt financing to fund the advancement and development of their projects.
- **Operating and development risks:** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single mine company. Development of mining assets may be subject to receiving permits, approvals timelines or weather events, causing delays to commissioning and commercial production.
- **COVID-19 risks:** Mining companies' rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.
- **Operating and capital cost fluctuations:** The cost and availability of exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour costs as well as access to, and availability of, technical skills, operating equipment and consumables.
- **Commodity price and exchange rate fluctuations:** The future earnings and valuations of exploration, development and producing Resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Resource growth and mine life extensions:** The viability of future operations and the earnings forecasts and valuations reliant upon them may depend upon resource and reserve growth to extend mine lives, which is in turn dependent upon exploration success, of which there are no guarantees.
- **Regulatory changes risks:** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies. NIC's assets are located in Sulawesi, Indonesia, which has in the past implemented regulatory changes related to mining project ownership, fiscal terms and mineral export requirements.
- **Geopolitical risks:** Mining companies' assets are subject to geopolitical risks, arising from events in, and outside, the jurisdictions they operate in.
- **Sovereign risks:** Mining companies' assets are subject to the sovereign risks of the jurisdiction within which they are operating. NIC's assets are in Indonesia, a G20 country with one of the largest economies in SE Asia. Its sovereign debt is rated investment grade by the major ratings agencies.
- **Corporate/M&A risks:** Risks associated with M&A activity including differences between the entity's and the market's perception of value associated with completed transactions. NIC is the junior partner co-investing in production assets with a large, privately owned Chinese company. The strength and cohesiveness of this relationship over the long term has the potential to both add and reduce value to the partnership. One of the key mitigating factors in this respect has been the ~18% holding in NIC equity.



### Table 3 - Financial summary

PROFIT AND LOSS						FINANCIAL RATIOS									
Year ending 31 Dec.	Unit	2021a	2022a	2023e	2024e	2025e	Year ending 31 Dec.	Unit	2021a	2022a	2023e	2024e	2025e		
Revenue	US\$m	645.9	1,217.0	2,511.6	2,444.8	2,451.7	<b>VALUATION</b>								
Expense	US\$m	(402.7)	(868.9)	(1,618.0)	(1,753.1)	(1,783.0)	Attributable NPAT	US\$m	137.9	159.0	539.1	403.8	402.9		
<b>EBITDA</b>	<b>US\$m</b>	<b>243.2</b>	<b>348.2</b>	<b>893.7</b>	<b>691.7</b>	<b>668.8</b>	Attributable NPAT	A\$m	183.6	228.3	792.8	576.9	575.6		
Depreciation	US\$m	(36.0)	(66.6)	(109.2)	(120.0)	(119.4)	Reported EPS	US\$/sh	5.5	5.9	17.6	11.9	11.9		
EBIT	US\$m	207.3	281.6	784.5	571.7	549.3	Reported EPS	Ac/sh	7.3	8.5	25.9	17.0	17.0		
Net interest expense	US\$m	(12.7)	(32.8)	(43.9)	(32.0)	(15.7)	Adjusted EPS	Ac/sh	7.3	8.5	25.9	17.0	17.0		
Unrealised gains (Impairments)	US\$m	-	-	-	-	-	EPS growth	%	-11%	17%	204%	-34%	0%		
Other	US\$m	(13.5)	(31.8)	(22.3)	-	-	PER <sup>1</sup>	x	13.5x	11.6x	3.8x	5.8x	5.8x		
<b>PBT</b>	<b>US\$m</b>	<b>181.0</b>	<b>217.0</b>	<b>718.3</b>	<b>539.7</b>	<b>533.6</b>	DPS	Ac/sh	4.0	4.0	9.0	7.0	7.0		
Tax expense	US\$m	(5.1)	(7.7)	(23.1)	(22.4)	(21.8)	Franking	%	0%	0%	0%	0%	0%		
Consolidated profit (loss) for the year	US\$m	176.0	209.4	695.2	517.2	511.8	Yield	%	4.1%	4.1%	9.1%	7.1%	7.1%		
Non-Controlling Interest	US\$m	38.0	50.4	156.1	113.4	108.9	FCF/share	Ac/sh	(21.6)	(19.7)	28.5	27.8	26.0		
<b>Attributable NPAT (reported)</b>	<b>US\$m</b>	<b>137.9</b>	<b>159.0</b>	<b>539.1</b>	<b>403.8</b>	<b>402.9</b>	FCF yield	%	-22%	-20%	29%	28%	26%		
NPAT (underlying)	US\$m	137.9	159.0	539.1	403.8	402.9	P/FCFPS	x	-4.6x	-5.0x	3.5x	3.5x	3.8x		
							EV/EBITDA	x	10.1x	7.1x	2.8x	3.6x	3.7x		
							EBITDA margin	%	38%	29%	36%	28%	27%		
							EBIT margin	%	32%	23%	31%	23%	22%		
							Return on assets	%	12%	9%	22%	14%	13%		
							Return on equity	%	18%	18%	41%	24%	21%		
							<b>LIQUIDITY &amp; LEVERAGE</b>								
							Net debt (cash)	\$m	190	415	(335)	(795)	(1,214)		
							ND / E	%	18%	32%	-16%	-34%	-48%		
							ND / (ND + E)	%	16%	24%	-19%	-52%	-91%		
							Attr. EBITDA / Interest	x	15.7x	8.4x	17.7x	18.7x	36.8x		
							<b>ATTRIBUTABLE DATA - NICKEL MINES LTD</b>								
							Year ending 31 Dec.	Unit	2021a	2022a	2023e	2024e	2025e		
							Revenues	US\$m	578.8	1,070.6	2,207.6	2,151.9	2,157.9		
							EBITDA	US\$m	199.2	275.3	776.1	598.7	578.7		
							NPAT	US\$m	137.9	159.0	539.1	403.8	402.9		
							Net distributable cash flow	US\$m	(190.4)	5.6	681.7	121.8	174.8		
							EV/EBITDA	x	13.8	9.2	3.2	4.3	4.4		
							PER	x	13.5	11.6	3.8	5.8	5.8		
							P/FCF	x	nm	nm	nm	19.1	13.3		
							<b>ORE RESERVE AND MINERAL RESOURCE</b>								
							Hengjaya Nickel Mine (HM)				Mdmt	% Ni	t Ni		
							Mineral Resources								
							Measured				20,000	1.30%	260,000		
							Indicated				109,000	1.30%	1,417,000		
							Inferred				56,000	1.30%	728,000		
							<b>Total</b>				<b>185,000</b>	<b>1.30%</b>	<b>2,405,000</b>		
							<b>ASSUMPTIONS - Prices</b>								
							Year ending 31 Dec. (avg)	Unit	2021a	2022a	2023e	2024e	2025e		
							Nickel	US\$/lb	\$8.37	\$12.17	\$10.63	\$9.50	\$9.59		
							Nickel	US\$/t	\$18,460	\$26,819	\$23,424	\$20,944	\$21,139		
							<b>Currency</b>								
							AUD:USD		0.75	0.70	0.68	0.70	0.70		
							<b>ASSUMPTIONS - Production &amp; costs</b>								
							Year ending 31 Dec.	Unit	2021a	2022a	2023e	2024e	2025e		
							<b>Hengjaya Mine</b>								
							Ore mined	wmt	2,169,972	2,674,947	4,500,000	4,500,000	4,500,000		
							Ore grade	% Ni	1.8%	1.7%	1.5%	1.5%	1.5%		
							Nickel in ore	t Ni	38,165	46,781	65,250	65,250	65,250		
							Nickel in ore (attributable)	t Ni	30,532	37,425	52,200	52,200	52,200		
							<b>RKEF + HPAL ops</b>								
							NPI production	t	298,352	509,127	914,615	999,615	996,615		
							Contained nickel (100%)	t Ni	40,411	70,079	168,705	191,481	190,563		
							Contained nickel (attributable)	t Ni	32,329	55,993	102,189	109,085	108,350		
							<b>Costs</b>								
							Cash costs	US\$/t Ni	\$10,106	\$13,387	\$12,783	\$13,064	\$13,360		
							All-in-Costs (AIC)	US\$/t Ni	\$10,225	\$13,483	\$12,879	\$13,156	\$13,455		
							<b>VALUATION</b>								
							Ordinary shares (m)						3,368.5		
							Options in the money (m)						-		
							<b>Total shares diluted (m)</b>						3,368.5		
							<b>Valuation</b>								
							Sum-of-the-parts								
							IMIP RKEF (NPV12)	A\$m	2,002.9	A\$/sh	0.59	A\$m	2,060.5	A\$/sh	0.61
							IWIP RKEF (NPV12)	A\$m	2,131.5	A\$/sh	0.63	A\$m	2,265.0	A\$/sh	0.67
							ONI RKEF (NPV12)	A\$m	764.2	A\$/sh	0.23	A\$m	1,451.6	A\$/sh	0.43
							Hengjaya Mine (NPV12)	A\$m	252.5	A\$/sh	0.07	A\$m	283.7	A\$/sh	0.08
							HNC HPAL (NPV12)	A\$m	120.0	A\$/sh	0.04	A\$m	475.6	A\$/sh	0.14
							Other exploration	A\$m	200.0	A\$/sh	0.06	A\$m	200.0	A\$/sh	0.06
							Corporate overheads	A\$m	(108.0)	A\$/sh	(0.03)	A\$m	(113.9)	A\$/sh	(0.03)
							Subtotal (EV)	A\$m	5,363.2	A\$/sh	1.59	A\$m	6,622.5	A\$/sh	1.97
							Net cash (debt)	A\$m	(333.2)	A\$/sh	(0.10)	A\$m	(333.2)	A\$/sh	(0.10)
							<b>Total (undiluted)</b>	A\$m	<b>5,030.0</b>	A\$/sh	<b>1.49</b>	A\$m	<b>6,289.4</b>	A\$/sh	<b>1.87</b>
							Dilutive effect of options	A\$m	-	A\$/sh	-	A\$m	-	A\$/sh	-
							Add cash from options	A\$m	-	A\$/sh	-	A\$m	-	A\$/sh	-
							<b>Total (diluted)</b>	A\$m	<b>5,030.0</b>	A\$/sh	<b>1.49</b>	A\$m	<b>6,289.4</b>	A\$/sh	<b>1.87</b>
							<b>MAJOR SHAREHOLDERS</b>								
							Shareholder			%		m			
							Shanghai Decent (SDI)			21.2%		714.1			
							Tanito Group (PT Karunia)			13.4%		451.4			
							BlackRock Investment Management			6.5%		219.0			
							Directors and Management			4.1%		137.9			
							Shanghai Wanlu			3.6%		121.3			

SOURCE: BELL POTTER SECURITIES ESTIMATES

**Recommendation structure**

**Buy:** Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

**Hold:** Expect total return between -5% and 15% on a 12 month view

**Sell:** Expect <-5% total return on a 12 month view

*Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.*

*Such investments may carry an exceptionally high level of capital risk and volatility of returns.*

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